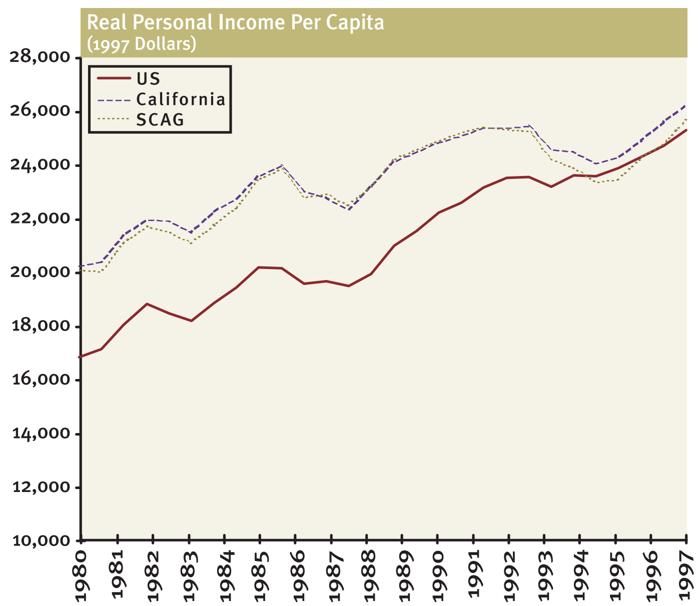
Income

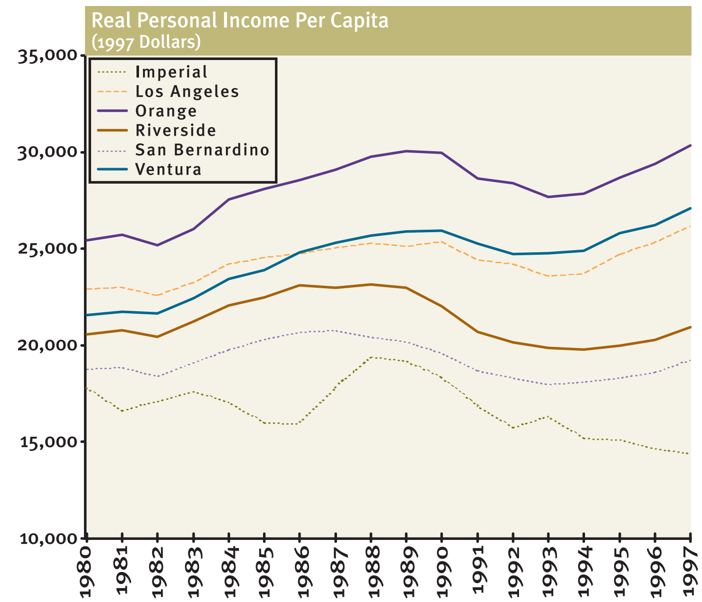
Real personal income per capita is the broadest single statistical measure of well-being or standard of living. Growth in real per capita income is more important as a regional target than growth of jobs alone.

Figure 5



California Department of Finance and SCAG Data Base

Figure 6



California Department of Finance and SCAG Data Base

The per capita personal income rates for the state and the region were above the national rates throughout the 1970s and 1980s. Per capita income for the region dropped sharply during the recession in the early 1990s. However, regional income has been rising in recent years, and by 1997 the region's rate surpassed that of the nation.

Studies of income distribution in the state and in the nation have found an increasing inequality in the distribution of income. This growing inequality is believed to be related to changes taking place in the labor market and in the composition of households in the nation. There is an increasing shift away from married-couple households toward single-parent and non-family households, which usually have lower incomes.

Differences in household incomes are also exacerbated by the decline in manufacturing jobs and the growth in employment in the services industries, which include a large number of low-paying jobs with few benefits and limited advancement opportunities. The reductions in defense spending and the decline in residential construction also have contributed to the increased inequality in income in Southern California. The region is also facing the challenge of assisting welfare recipients, many with low levels of skill, move into the workforce. (Please see map 14 for the distribution of welfare recipients.)

Income in the Nation

Per Capita Income

Per capita income in the nation increased by 3.7 percent in real terms between 1996 and 1997, to $19,241. The White portion of the population continued to have the highest per capita income in the nation in 1997, followed by Asians and Pacific Islanders. All groups experienced an increase in real income between 1996 and 1997 except Asian and Pacific Islanders, whose income in 1997 was slightly lower than in 1996. Between 1989 (the year before the most recent

Table 6

Per Capita Income in the Nation by Racial and Ethnic Classification 1989, 1996 and 1997

	Median Income in 1997 dollars			Change in real income	
	1997	1996	1989	1996-97	1989-97
All races	$19,241	$18,552	$17,999	3.7%	6.9%
White	20,425	19,621	19,088	4.1%	7.0%
White, not Hispanic	21,905	20,991	(NA)	4.4%	(NA)
African Americans	12,351	12,172	11,231	1.5%	10.0%
Asian/Pacific Islander	18,226	18,332	(NA)	-0.6%	(NA)
Hispanic	10,773	10,279	10,605	4.8%	1.6%

Source: U.S. Bureau of the Census, *Money Income in the United States: 1997*, Table A.

national recession) and 1997, per capita income rose by 6.9 percent for Whites and 10 percent for African Americans, while Hispanic incomes increased by only 1.6 percent.

Household Income

For the third consecutive year, households in the nation experienced an increase in real annual median income in 1997. The nation's households began their recovery from the 1989 recession in 1995, and by 1997 the real median income of the nation's households was close to the peak reached in 1989. The 1997 income was $37,005, compared to the 1989 income of $37,303 in 1997 dollars. In 1997 Asian and Pacific Island households in the nation had a median income of $45,249, the highest in the nation, followed by White households at $38,972. (The average household size for Asians and Pacific Islanders at 3.17 people is larger than that for Whites at 2.58.) The median income was $26,628 for Hispanic households and $25,050 for African American households.

Table 7

Household Income in the Nation: 1989, 1996 and 1997

	Median Income in 1997 dollars			Percent Change	
	1997	**1996**	**1989**	**1996-97**	**1989-97**
West	$39,162	$37,977	$40,081	3.1%	-2.3%
Midwest	38,316	37,418	37,107	2.4%	3.3%
South	34,345	33,166	33,412	3.6%	2.8%
Northeast	38,929	38,264	42,123	1.7%	-7.6%
Inside metro areas	39,381	38,504	40,151	2.3%	-1.9%
Outside metro areas	30,057	28,734	28,942	4.6%	3.9%

Source: U.S. Bureau of the Census, *Money Income in the United States: 1997*, Table A.

Income by Geography

All regions in the nation except the Northeast experienced a significant increase in real median household income between 1996 and 1997. The percent increases between 1996 and 1997 were 3.1 for the West, 2.4 for the Midwest, 3.6 for the South, and 1.7 for the Northeast. While the Midwest and the South surpassed their 1989 pre-recession income peaks, the 1997 median household income in the West was 2.3 percent lower than in 1989 and in the Northeast remained 7.6 percent below the 1989 level.

Although metropolitan households had an annual increase in real income for the third consecutive year in 1997, real income remained 1.9 percent lower than the 1989 level. Households outside metropolitan areas not only achieved their 1989 income level in 1997, but they surpassed it by 3.9 percent.

Income Inequality[1]

An analysis of the nation's household income distribution through the methods used by the U.S. Census Bureau indi

Table 8

Household Income Dispersion in the Nation: 1967 and 1997

Income			Income Ratios			Shares of Quintiles		
Percentile	**1997**	**1967**		**1997**	**1967**		**1997**	**1967**
20th upper limit	$15,400	$13,264	95th/20th	8.22	6.33	Lowest	3.6%	4.0%
50th (median)	37,005	31,583	95th/50th	3.42	2.66	Second	8.9%	10.8%
80th upper limit	71,500	52,355	80th/50th	1.93	1.66	Third	15.0%	17..3%
95th lower limit	126,550	84,008	80th/20th	4.64	3.95	Fourth	23.2%	24.2%
			20th/50th	0.42	0.42	Highest	49.4%	43.8%
Gini coefficient of income inequality	0.459	0.399						

Source: U.S. Bureau of the Census, Money Income in the United States: 1997, Table B.
(Please see note for description of Gini coefficient of income inequality.)

cates no significant increase in income inequality between 1996 and 1997. However, the long term trend for these two measures indicates increasing income inequality. In 1997 households at the 95th percentile of income distribution had a lower-limit income of $126,550, while households at the 20th percentile had a $15,400 upper-limit income. While the 1997 households at the 95th percentile had an income 8.2 times that of households at the 20th percentile, the 1967 households at the 95th percentile had and income 6.3 times that of households at the 20th percentile. This indicates a growing inequality over the past three decades.

Income and Educational Attainment

In 1997 the median income in the nation for males with some high school education but no diploma was only 66 percent that of males who graduated from high school and 40 percent the income of males with a bachelor's degree. For women, the median income for high school dropouts was 66 percent that of females with a high school diploma and 34 percent that of females with a bachelor's degree.(Please see Income and Unemployment under Metropolitan Regions for personal income and unemployment by metropolitan region. See World Regions for the world's top 15 metropolitan economies.)

[1]The US Census Bureau uses two methods to measure income inequality: the shares of aggregate income received by households and the Gini coefficient, which is an index of income concentration. Under the first approach, households are ranked from lowest to highest income and then divided into groups of equal population size, usually quintiles. The aggregate income of each group is then divided by the overall aggregate income to derive shares. The Gini coefficient incorporates detailed shares data into a single statistic, which summarizes the dispersion of income across the entire income distribution. The Gini coefficient ranges from 0 to 1, with 0 being perfect equality where everyone receives an equal share and 1 being perfect inequality where all income is received by one recipient or group.

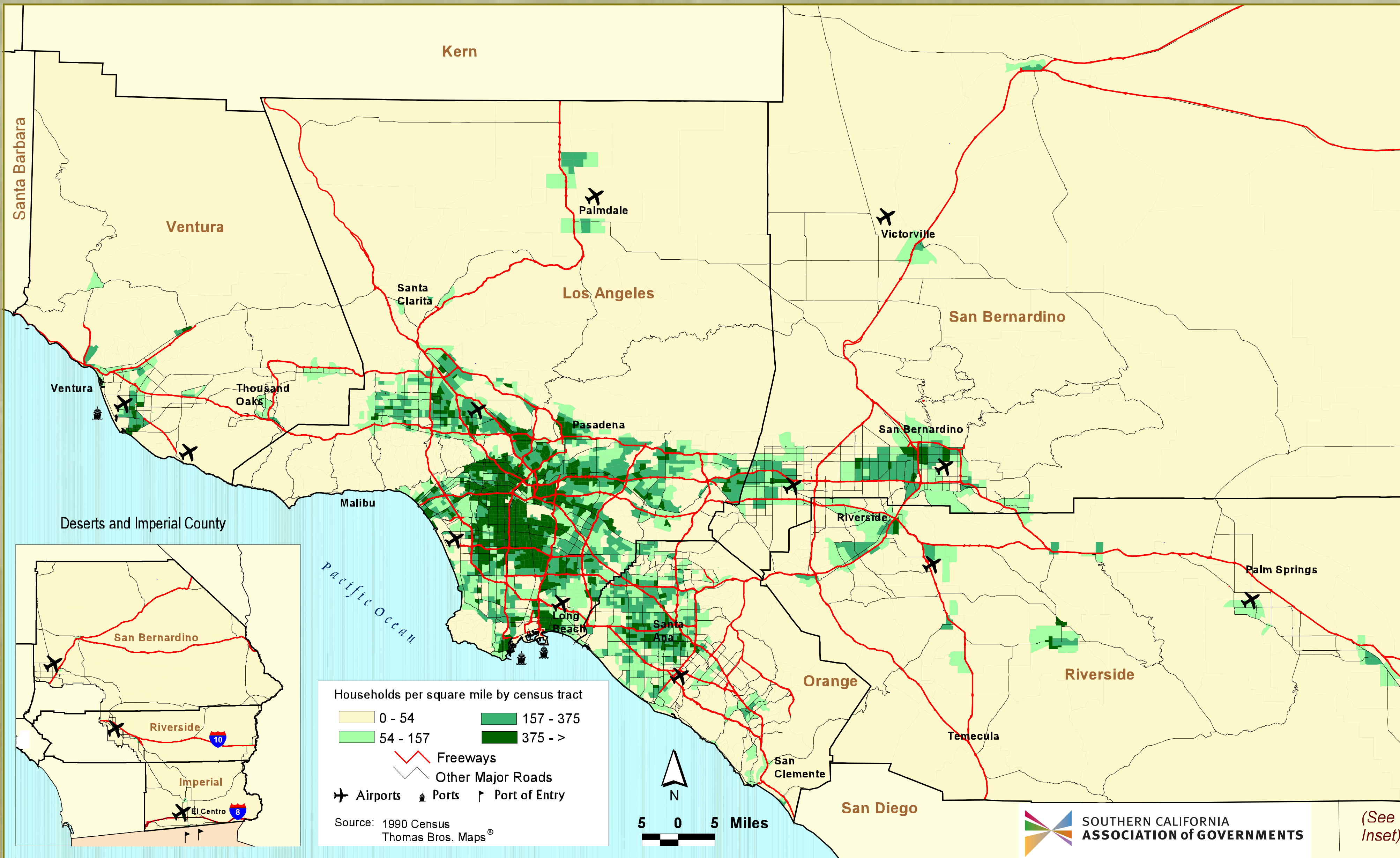
Table 9

Median Income and Educational Attainment in the Nation, 1997

	Male, 25 years and over	Female, 25 years and over
9th to 12th grade, no diploma	$16,818	$8,861
High school graduate	25,453	13,407
Bachelor's degree	41,949	26,401
Professional degree	72,274	45,199

Source: U.S. Bureau of the Census, *Money Income in the United States: 1997*, Table 8.

Distribution of Welfare Recipients

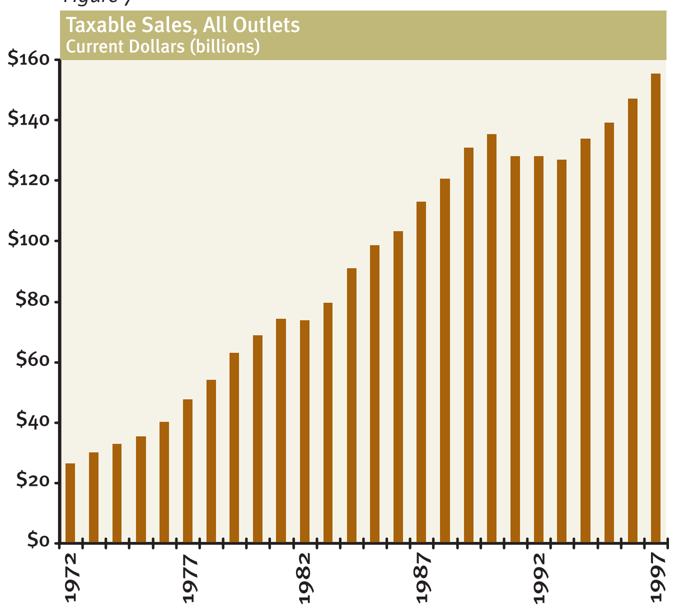


Map 14

Taxable Sales

Changes in taxable sales are a measure of both changes in local government revenues and changes in the economic health of the consumer sector.

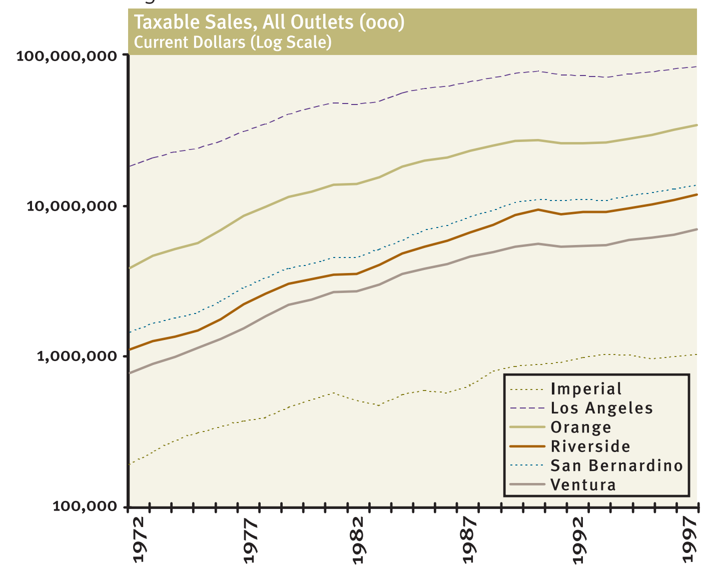
Figure 7



California Board of Equalization

Taxable sales are one of the major revenue generators for local and state governments. In addition, most county

Figure 8



California Board of Equalization

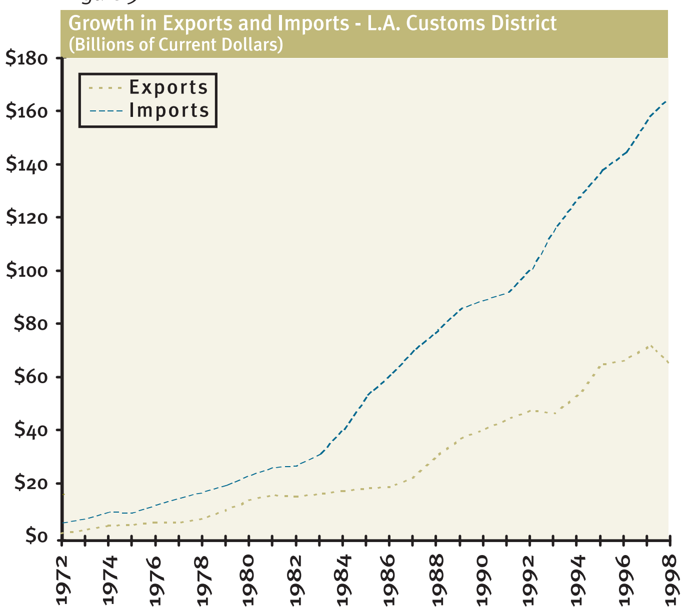
transportation commissions rely on voter-approved taxable sale measures to finance their transportation capital projects.

While retail spending declined during the 1991-93 recession, taxable sales now exceed the pre-recession record in current dollars. However, the 1997 sales remained below the 1990 total in constant dollars. For the second consecutive year, taxable sales in the region during 1997 increased by 5.7 percent. Individual county percentage increases during 1997 were as follows: 3.8 Imperial; 4.6 Los Angeles; 7.3 Orange; 7.5 Riverside; 6.7 San Bernardino; and 7.6 Ventura.

Trade

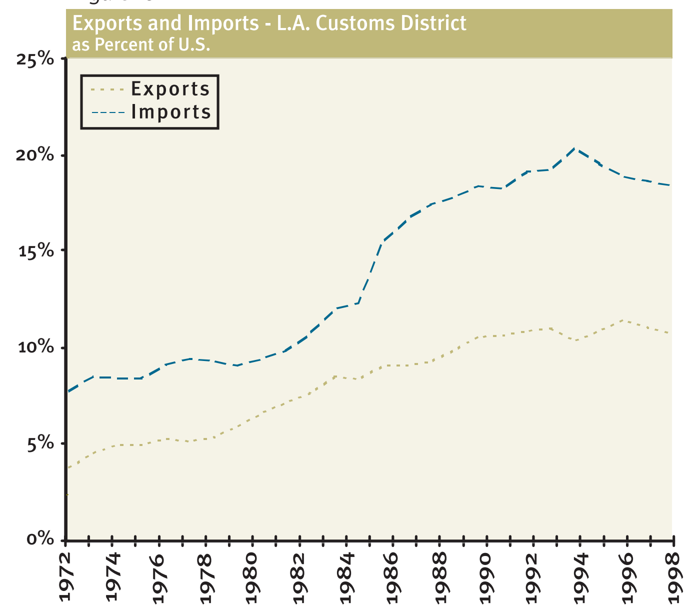
Both exports and imports generate jobs. Exports also generate income and are important indicators of global competitiveness.

Figure 9



U.S. Bureau of the Census

Figure 10



U.S. Bureau of the Census

California's exports, which doubled in size between 1988 and 1995, and then grew by 20 percent in 1995, experienced a 14 percent loss last year. The economic crisis in Asia caused American exports to drop in 1998 for the first time since 1985, with reduced sales to Japan and South Korea contributing most to the decline.

Note: These charts represent cargo unloaded at Los Angeles Customs District.

American exports are also expected to suffer from the downturn in Latin American economies. Brazil's expected recession will likely place serious pressure on the economies of other countries in Latin America – most notably Argentina and Mexico. Any sharp decline in exports to Latin America will exacerbate the trade deficit already affected by the collapse in Asian markets. Asia buys about 25 percent of American exports and Latin America buys 20 percent. Declining exports could have a cooling effect on the state's housing market as the growth in income and employment slows down.